



Patient Capital Management

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Are all cheap stocks **Value Traps**?

What makes a Value Trap?

A value trap is a stock or investment that looks **UNDERVALUED** but actually is NOT.



Homebuilders and Financials Pre-Financial Crisis: (Macro Bubble)



Eastman Kodak: (Secular Risk)



Value Traps AI Style

Google's Gemini



Meta AI



The Power of Returning Capital to Shareholders

“Value is just not a consideration for most investment money that’s out there....the value industry has gotten completely annihilated...That’s a change in the market and its a structure that means almost the best way to get your stock to go up is to start by being overvalued. There’s nobody who is going to pay attention to notice the earnings were 15% better ... if nobody notices, nobody’s there, nobody’s going to buy, nobody’s going to care. So, you’re literally counting on the companies to make that happen.”

- David Einhorn, Greenlight Capital



How much is a stock with these attributes worth?

- ✓ Competitively advantaged
- ✓ Market share leader
- ✓ Growing revenues at 33% in 2023 & ~16% in 2024
- ✓ ~20% EBITDA margins
- ✓ Low capital requirements
- ✓ Strong return on invested capital
- ✓ Abundant free cash flow
- ✓ 14% net share shrinkage since 3Q22



It's a Travel Business. What would you pay?



21.6x EV / EBITDA
13% Revenue Growth
36% EBITDA Margin



17.1x EV / EBITDA
8% Revenue Growth
34% EBITDA Margin



13.1x EV / EBITDA
18% Revenue Growth
42% EBITDA Margin



Tripadvisor
6.6x EV / EBITDA
4% Revenue Growth
18% EBITDA Margin

**Group
Average**

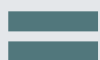
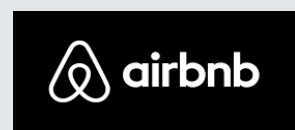
14.6x EV / EBITDA
11% Revenue Growth
33% EBITDA Margin



Expedia Partner Solutions (B2B)

If that's the Right Valuation...

The Implied Valuation for the B2C Business is...



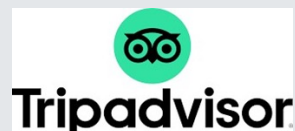
-0.1x EV/EBITDA
Effectively Worthless



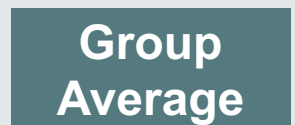
1.6x EV/EBITDA
~\$3.4B EV



3.1x EV/EBITDA
~\$6.5B EV



5.6x EV/EBITDA
~\$11.5B EV



2.6x EV/EBITDA
~\$5.3B EV

#1 Market Position

\$3.4B 2023 B2B Revenue

\$663M 2023 EBITDA

14% Forward 3-YR
Revenue CAGR

20% 2023
EBITDA Margin

What's the Right Multiple?

B2C Comp Group					
Security	Price	Enterprise Value	Forward 3-YR Revenue CAGR	2024 EV/EBITDA	2024 EBITDA Margin
TripAdvisor Inc	\$18.09	\$2,252	6.9%	6.6x	18%
Yelp Inc	\$36.13	\$2,094	6.8%	6.5x	22%
Match Group Inc	\$30.54	\$11,037	6.6%	8.6x	36%
Ziff Davis Inc	\$54.69	\$2,773	4.9%	5.5x	35%
Groupon Inc	\$15.28	\$674	4.0%	6.5x	20%
Vimeo Inc	\$3.91	\$370	1.8%	10.6x	9%
Angi Inc	\$2.01	\$1,145	-0.1%	8.2x	12%
Average		\$2,906	4.4%	7.5x	22%
<i>Median</i>		<i>\$2,094</i>	<i>4.9%</i>	<i>6.6x</i>	<i>20%</i>
Expedia B2C Business			5.3%	???	20%



Where we stand today

Price	\$124.07	52-Week High	\$159.47
Mkt Cap	\$17.2B	52-Week Low	\$93.08
EV	\$16.7B	All-Time High	\$213.80
2024 P/E	14.5x	2024 EV/EBITDA	5.8x

	B2B + B2C = Total			5-Year CAGR
2024 Revenue	\$3.9B	\$9.4B	\$13.3B	7.1%
YoY	16%	3%	7%	
2024 EBITDA	\$776M	\$2.1B	\$2.9B	8.9%
EBITDA Margin	20%	22%	21%	
2024 Net Income			\$1.2B	13.8%
Earnings Per Share			\$8.55	17.2%
2024 Free Cash Flow			\$2.3B	10.4%
FCF Per Share			\$16.80	11.0%
2024 ROIC			24%	

B2C Brands



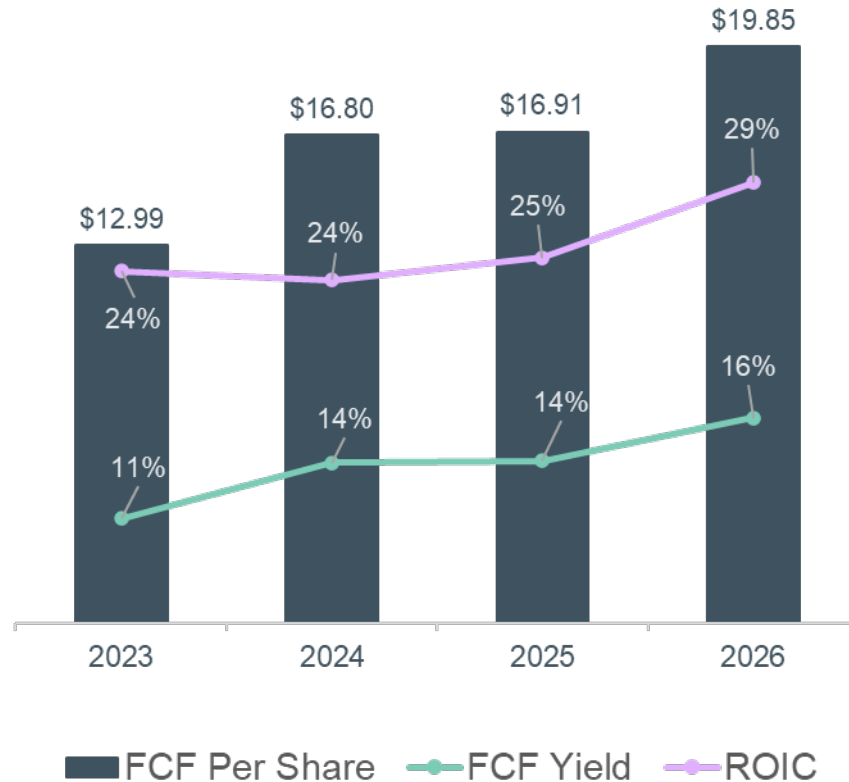
B2B Partners Examples



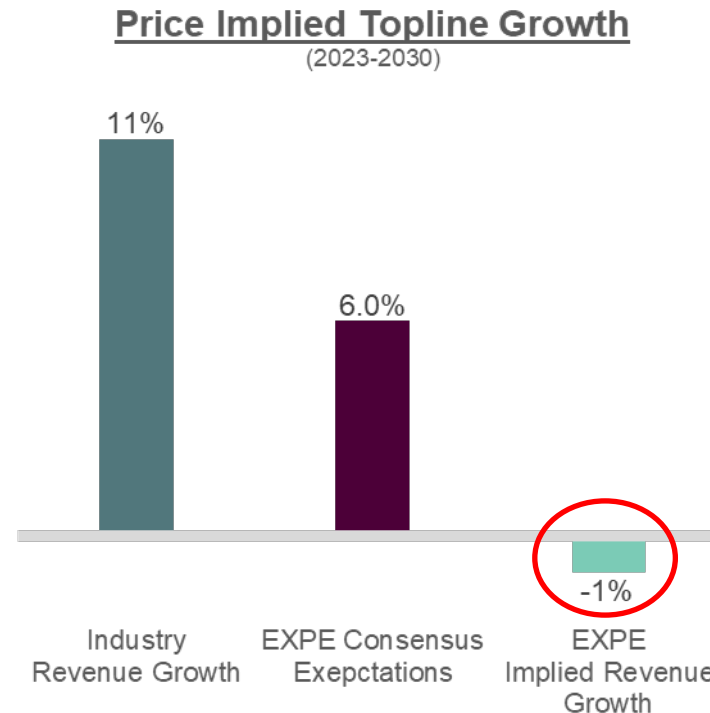
Capital Allocation:

- Master Capital Allocation Team led by Barry Diller
- Mid-Teens Net Share Reduction since 2022.

Strong and Improving Fundamentals



With Low Market Implied Expectations



With Leading AI Capabilities

"At Expedia Group, we embrace the transformative power of AI to create personalized travel experiences," said Ariane Gorin, CEO of Expedia Group. "Our long-standing investments in this space enable us to capitalize on the breathtaking pace of AI innovation..."

In the Top **10** Of AI Hiring Trends for Non-Tech/Media Firms



Source: Patient Capital Management, Empirical Research Partners, Quote from Ariane Gorin: Saltzman, Dori. "Expedia Unveils Romie, an AI-Powered Travel Planner." *Travel Market Report: The Voice of The Travel Advisor*, 2024, Bloomberg; As of 6/17/24.

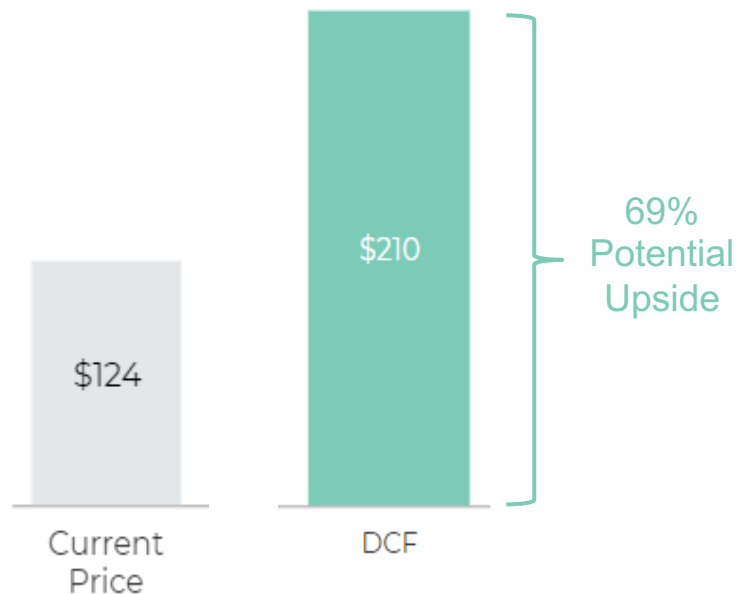
Industry Revenue Growth: "Online Travel Market Trends and Analysis by Service Type, Region and Segment Forecast to 2030." Market Research Reports & Consulting | GlobalData UK Ltd., 7 May 2024.

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Attractive Value Proposition

13% Potential EPS CAGR from share buybacks alone!
Assuming Flat Net Income

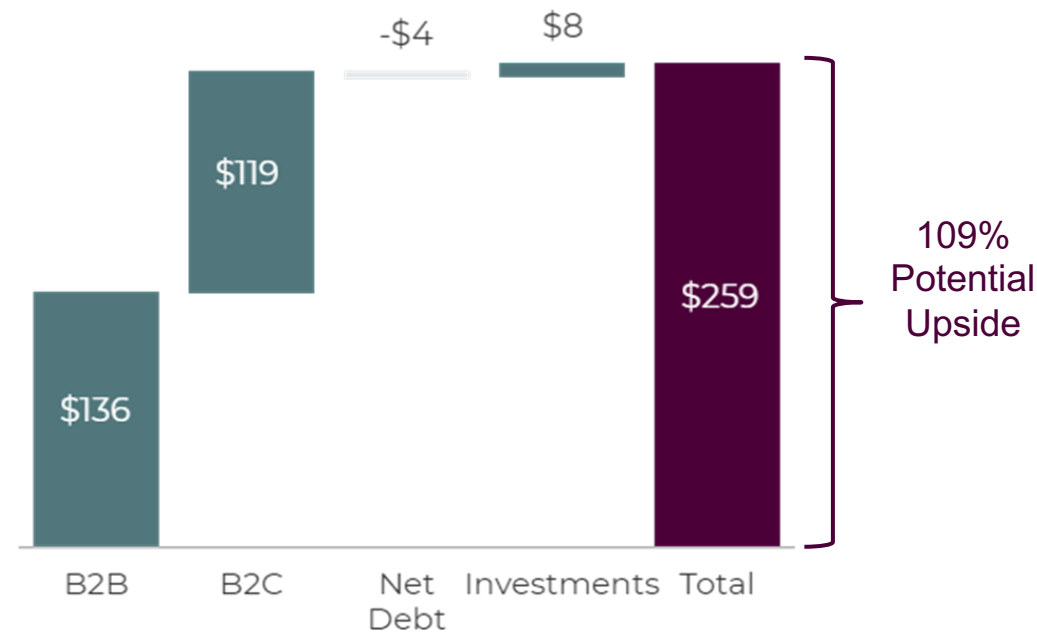
DCF Valuation



Key Assumptions:

- 6% Rev Growth vs Industry Growth of 11%
- Flat Margins

SOTP Valuation



Annualized

45%

2-yr Annual Return

+

10%

Annual Net Share Shrinkage

=

55%

Annual Return



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Price-to-earnings Ratio (P/E Ratio) is the weighted average of the price/earnings ratios of the equities held by the Fund. P/E ratio is a company's current stock price divided by its estimated next 12-months' earnings per share. Discounted Cash Flow (DCF), sum of the present value of future expected cashflows. Return on Invested Capital (ROIC) is Net Operating Profit after Taxes / Average Invested Capital. Enterprise Value (EV) is (Diluted Shares x Price) + Debt – Investments – (Cash – Short Term Investments). EBITDA is Adjusted Earnings Before Interest Taxes Depreciation and Amortization. CAGR: Compound Annual Growth Rate.

Portfolio Upside to Central Tendency of Value (CTV) is a proprietary calculation based on our assessment of the intrinsic value of individual company holdings currently in the portfolio. Portfolio Upside to CTV refers to the weighted average expected return from each individual company reaching our estimate of intrinsic value from its current trading price. CTV is a probability-weighted estimate of what we believe is the intrinsic value per share for each individual company currently in the portfolio. As part of this process, we build detailed, long-term company models for a variety of scenarios and use multiple valuation methods, such as discounted cash flow (DCF), comparable company analysis, private market analysis, historicals, liquidation, and LBO analysis. These different valuation methodologies are probability weighted to create our CTV. The analysis embeds both risk and return features and allows comparison across securities. Upside to CTV refers to the expected return from a stock reaching our estimate of intrinsic value from its current trading price.

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